

FISCAL NOTE

SB 3513 – HB 3356

March 10, 2006

SUMMARY OF BILL: Creates the “Visual Content Act of 2006”. Authorizes multiple tax incentives for attracting film production to Tennessee including refunds of sales and use tax, franchise and excise (F&E) tax credits, and film investor tax credits. Identifies eligibility criteria, circumstances and limitations for qualifying for such tax incentives. Requires the Board of Regents to develop a technical film making course of study to be implemented into at least one (1) community college for each grand division of the state. Requires the Department of Economic and Community Development (ECD) to study the potential economic impact of recruiting, and the potential relocation of, video game industry companies to Tennessee. Authorizes the Department of Revenue (DOR) to promulgate rules and regulations to effectuate the purposes of this act.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – Exceeds \$750,000

Increase State Expenditures – \$365,600 FY06-07

\$525,600 FY07-08 and thereafter

Decrease Local Govt. Revenues – Exceeds \$25,000

Other Fiscal Impact - Some residual economic impacts could materialize from the enactment of this legislation. However, determining the extent of these impacts is very problematic. Any such effects are not sufficiently measurable to be included in the quantifiable fiscal impact of this bill.

Assumptions:

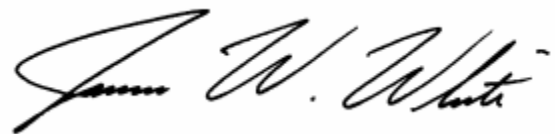
- Enactment of this bill would allow: (1) refunds of sales and use tax paid by a motion picture production company of any type, (2) excise tax credits equal to the investment cost of qualified machinery and equipment used during film production and post production, and (3) film investor tax credits, the extent of which are dependent upon the total investment film production companies make into state-certified productions, that can be applied to the sum total of F&E tax liability.

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- According to the DOR, the net decrease to state revenues resulting from the proposed tax incentives would exceed \$750,000 per year.
- The decrease of local government revenues would exceed \$25,000.
- Administrative costs for the Tennessee Film Commission (TFC) would increase due newly added responsibilities which consist of certifying projects as “state-certified productions”, issuing new production permits, and dealing with an increased demand for permits in general as a result of this legislation.
- One new Locations Coordinator 1 position for the TFC at an annual cost of \$45,600 with benefits.
- Administrative costs for ECD would increase by an amount estimated as not significant to conduct a study on the potential for video game companies relocating to Tennessee.
- Board of Regents’ (BOR) costs would increase due to the requirement of implementing a film course of studying in at least one community college in each grand division of the state (one in the fall of 2006, one in the spring of 2007, and one in fall of 2007).
- 20 work stations per community college classroom at an average cost of \$5,000. This would cover computer equipment, cameras, lenses, editing equipment, furniture, supplies, etc. Two classrooms would be implemented during FY06-07 and one during FY07-08.
- Three new faculty members, each at an annual cost of \$60,000 with benefits. Two would be hired during FY06-07 and one would be hired during FY07-08.
- First year (FY06-07) expenditures for the BOR are estimated to be \$320,000 and second year (FY07-08) costs are estimated to be \$480,000.
- Some residual economic impacts could materialize from the enactment of this legislation. However, determining the extent of these impacts is very problematic. Any such effects are not sufficiently measurable to be included in the quantifiable fiscal impact of this bill.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director